
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 March 2017

Resource Generation Limited (the “Company” or “Resgen”) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa’s Waterberg region. The Waterberg accounts for around 40% of the country’s currently known coal resources. The Coal Resources and Coal Reserves for the Boikarabelo Coal Mine, held through the operating subsidiary Ledjadja Coal, were recently updated based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement 23 January 2017). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment subsidiary (BEE) operating under South Africa’s Broadbased Black Economic Empowerment Act, Section 9(5): Codes of Good Practice.

Resgen’s primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

Project Funding

The Company’s primary focus this quarter has been to finalise the key material agreements relating to the mine and logistics. These include the Engineering, Procurement and Construction (EPC) contract for the Coal Handling and Preparation Plant (CHPP), the CHPP Operations & Maintenance contract, the Ancillary Works EPC contract, the Transportation of Coal Agreement, the Port Service Level Agreement and the Mining Contract. A number of these contracts have been concluded and submitted to the Lenders and Independent Technical Expert for review. In parallel good progress has been made towards the funding of the rail link and the rail link EPC construction contract. Activities continue to be undertaken at the mine site preparing for the arrival of the EPC contractors. We are hopeful that this orderly and deliberate process will result in the conclusion of funding arrangements for the project during 2017 (ASX Announcement: 2 March 2017).

Independent Power Producer (IPP)

In parallel to advancing the development of the mine, the Company has continued to plan to also operate as an Independent Power Producer, providing another option for the domestic sale of coal. We have appointed external consultants, J Maynard and WaterBorne Capital, to assist us with the selection and appointment of the main EPC contractor and preparation of a Joint Development Agreement. At the same time, we are working to be ready to submit our proposal when the Department of Energy opens the next submission window. This is expected to be towards the end of 2017.

Working Capital Facility

The Company signed an extension of the Facility Agreement of 3 March 2014 (ASX Announcement: 14 March 2017), under which Noble Resources International Pte Ltd has agreed to make available further funds of up to US\$8.4M to the Company's subsidiary,

Ledjadja Coal Pty Ltd (LCL), to fund the operations and development of the mine whilst project funding is secured. Those additional funds are to be available in three tranches over the period to 30 September 2017.

Key terms associated with the extension of the Facility include:

- The additional funds together with the existing Facility of US\$20m are unsecured and subject to a parent company guarantee;
- Interest accrues at 10.75% pa and can be capitalised on a six-monthly basis unless the borrower elects otherwise to pay such interest;
- The right for the Lender to appoint a nominee to the Board of the Company and approve one of the Company's nominees to the Board of LCL, subject to regulatory and governance requirements; and
- The Facility is repayable in instalments commencing from 30 September 2017 with a termination date of 10 March 2024, however the additional funds made available under the extension of the Facility is repayable from the proceeds of the first drawdown of funding secured for the Project.

As part of negotiating the extension to the Facility, the Company has also agreed to restate the existing domestic offtake and coal marketing agreements it has with the Lender and its related bodies corporate with effect from 31 December 2013, including the incorporation of a term sheet signed in 2013.

Subsequent to quarter end the Group received the first drawdown of US\$2.4m under the extended Facility Agreement and has commenced the process of appointing the Lender nominee to the Board of the Company and obtain the approval for the appointment of a further director to the Board of LCL.

Capital structure and cash position

The Company's summarised capital structure at 31 March 2017 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance rights:	6,250,000
Cash at bank:	\$1.2 million

Shareholders and potential investors should also review the Company's Annual Report, audited Financial Report for the year ending 30 June 2016 and Interim Financial Report for the six months ending 31 December 2016 to fully appreciate the Company's financial position.

Mining tenements

The coal mining rights and exploration tenements held at the end of the quarter were as follows:

- MPT 169 MR (74%)
- PR678/2007 (74%)
- PR720/2007 (74%)

The Company has no interest in farm-in or farm-out agreements.

The Mining Right Application for Kubu, adjacent to Boikarabelo, was lodged at the end of 2015. Kubu was previously known as Waterberg No 1 and encompasses the farm Koert Louw Zyn Pan (PR678/2007).

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo site and contain minimal resources that have not been included in the JORC resource.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes

Company Secretary

RESOURCE GENERATION LIMITED

26 April 2017

Corporate information

Directors

Denis Gately	Non-Executive Chairman
Lulamile Xate	Non-Executive Deputy Chairman
Rob Croll	Non-Executive Director
Colin Gilligan	Non-Executive Director
Leapeetswe Molotsane	Non-Executive Director
Dr Konji Sebati	Non-Executive Director

Company secretary

Mike Meintjes

Registered office

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Competent Persons' Statement

The information contained in this Quarterly Report which relates to estimates of the Boikarabelo Coal Mine Coal Resources and Coal Reserves is based on and accurately reflects reports prepared by Competent Persons named beside the respective information in the table below. Mr Riaan Joubert is the Principal Geologist employed by Ledjadja Coal. Mr Ben Bruwer is a Principal Consultant with VBKom (Pty) Ltd (VBKOM).

Summary of Competent Persons responsible for the Boikarabelo Coal Mine Coal Resources and Coal Reserves

Competent Person	Area of Competency	Professional Society	Year of Registration	Membership Number
R. Joubert	Coal Resources	SACNASP*	2002	400040/02
B. Bruwer	Coal Reserves	SAIMM**	1994	701068

*SACNASP - South African Council for Natural Scientific Professions

**SAIMM - Southern African Institute of Mining and Metallurgy

The above-named Competent Persons both consent to the inclusion of material in the form and context in which it appears in this Release. Both individuals are members of a Recognised Professional Organisation in terms of the JORC Code 2012, and both have a minimum of five years' relevant experience in relation to the mineralisation and type of deposit being reported on by them to qualify as Competent Persons as defined in the JORC Code 2012.

Neither Mr Bruwer, nor VBKOM, has a material interest or entitlement, direct or indirect, in the securities of Resource Generation Limited. Mr Joubert holds no shares in Resource Generation Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(9 months)
			\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(876)	(4,300)
	(c) production	-	-
	(d) staff costs	(1,049)	(3,103)
	(e) administration and corporate costs	(321)	(1,047)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	30	96
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes (paid)/refunded	1	1
1.7	Research and development refunds	-	-
1.8	Other (sale of game)	-	203
1.9	Net cash from / (used in) operating activities	(2,215)	(8,150)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(60)	(170)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(9 months)
		\$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(60)	(170)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(682)	(2,063)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(682)	(2,063)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,517	11,955
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,215)	(8,150)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(60)	(170)

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(682)	(2,063)
4.5	Effect of movement in exchange rates on cash held	(319)	(331)
4.6	Cash and cash equivalents at end of period	1,241	1,241

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter	
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000	
5.1	Bank balances	43	569
5.2	Call deposits	1,198	3,948
5.3	Bank overdrafts	-	-
5.4	Other (contract retentions)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,241	4,517

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter
\$A'000
155
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors' remuneration and consulting fees

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities <ul style="list-style-type: none"> • Unsecured loan (note 1) • Unsecured loan (note 2) 	37,156 5,034	26,166 5,034
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Note 1 The Company has a US\$28.4 million unsecured loan facility with Noble Group. US\$20.0 million has been drawn down as at 31 March 2017. It is repayable in quarterly instalments of capital and interest over 78 months commencing in September 2017 and has an annual interest rate of 10.75%.

Note 2 EHL Energy (Pty) Limited constructed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction was subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan is unsecured and there are 10 quarterly instalments remaining to be paid as at 31 March 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(3,762)
9.3 Production	-
9.4 Staff costs	(1,090)
9.5 Administration and corporate costs	(348)
9.6 Other – loan repayments	(667)
9.7 Total estimated cash outflows	(5,867)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 26 April 2017

Print name: MICHAEL MEINTJES

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.